

## Message Text

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ORIGIN STR-04

INFO OCT-01 AF-10 ARA-10 EA-07 EUR-12 NEA-10 IO-13  
ISO-00 STRE-00 CIAE-00 DODE-00 NSAE-00 NSCE-00  
SSO-00 USIE-00 INRE-00 USIA-06 FEA-01 AGRE-00  
CEA-01 COME-00 EB-07 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSC-05 PA-01 EPG-02 AID-05 SS-15  
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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

USMISSION GENEVA IMMEDIATE

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USMTN/ALSO USEEC

E.O. 11652: N/A

TAGS: ETRD, MTN, EC

SUBJECT: MTN-US-EC BILATERAL JULY 15-16

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REF: EC BRUSSELS 7761 AND 7771

1. SUMMARY. PRODUCTIVE CONSULTATIONS WITH SENIOR-OFFICIAL  
LEVEL OF EC COMMISSION TOOK PLACE AT EASTON, MARYLAND,  
JULY 15-16, TO FURTHER REFINE UNDERSTANDINGS REACHED BETWEEN  
AMBASSADOR STRAUSS AND EC COMMISSIONERS, JULY 11, CONCERNING  
AN ACCELERATED TIMETABLE FOR BRINGING THE MTN TO THE STAGE  
OF CONCRETE NEGOTIATIONS AND AN EARLY SUCCESSFUL CONCLUSION  
(REFTELS). CONSULTATIONS WERE FRANK AND CONSTRUCTIVE,  
INDICATING SERIOUS DETERMINATION OF EC OFFICIALS TO

COOPERATE IN PUSHING AHEAD IN ALL KEY AREAS OF MTN. WHILE EC SIDE HAD DOUBTS ABOUT FEASIBILITY OF TIMETABLE ANNOUNCED BY AMB. STRAUSS AT HIS JULY 11 BRUSSELS PRESS CONFERENCE, THERE WAS COMMITMENT TO WORK CONSCIENTIOUSLY TO MEET THOSE TARGET DATES. MOST SIGNIFICANT SPECIFIC AGREEMENT REACHED WAS THAT U.S. AND EC WILL BOTH SUPPORT A REQUEST/OFFER PROCEDURE FOR AGRICULTURAL TARIFF AND NON-TARIFF MEASURES IN ORDER TO EFFECTIVELY ENGAGE THE NEGOTIATING PROCESS IN THIS KEY AREA OF MTN THAT HAS BEEN BLOCKED THUS FAR. A PARALLEL REQUEST/OFFER PROCEDURE FOR INDUSTRIAL NTMS; ACCELERATION OF THE DRAFTING OF TEXTS OF CODES OR OTHER

GENERAL SOLUTIONS, TARGETED FOR DECEMBER 15; AND THE SIMULTANEOUS TABLING OF OFFERS, JANUARY 15, COVERING AGRICULTURAL AND INDUSTRIAL TARIFF AND NON-TARIFF CONCESSIONS WERE ALSO AGREED. EC ATTITUDE TOWARDS A NEGOTIATED SETTLEMENT IN DIFFICULT AREA OF SUBSIDIES AND COUNTERVAILING DUTIES WAS MORE POSITIVE THAN WE HAVE ENCOUNTERED HERETOFORE. THE LEAST ENCOURAGING DEVELOPMENT WAS EC INSISTENCE THAT AN ACCELERATED MTN TIMETABLE WOULD MAKE AN INTERNAL EC TARIFF EXCEPTION EXERCISE IMPRACTICAL. THEREFORE, A TARIFF-CUTTING FORMULA SHOULD ENVISAGE NO REPEAT NO EXCEPTIONS AT THE OUTSET (OTHER THAN U.S. MANDATORY LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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EXCEPTIONS). COMBINATION OF "NO EXCEPTION" POSTURE DUE TO TIME PRESSURES PLUS SLUGGISH WESTERN EUROPEAN ECONOMIC RECOVERY HAS PERSUADED EC COMMISSION THAT THE TARIFF-CUTTING OBJECTIVE MUST BE MORE MODEST THAN CONTEMPLATED HERETOFORE. EC NO LONGER SUPPORTS 4 ITERATIONS OF ITS FORMULA  $Y = X$  WITH LIMITED EXCEPTIONS, BUT MAXIMUM OF 3 ITERATIONS WITH NO EXCEPTIONS. U.S. SIDE EXPRESSED CONCERN AT PROSPECT OF A MINI-CUT; SAID A "NO EXCEPTIONS" RULE WAS IMPRACTICAL FOR U.S. (AND PROBABLY OTHERS). BOTH SIDES AGREED TO REFLECT ON THIS POINT, CONSIDER POSSIBLE ALTERNATIVES AND EC AGREED BE IN TOUCH AGAIN WITHIN 10 DAYS AFTER CONSULTATIONS WITH MEMBER STATES. END SUMMARY.

2. EC TEAM CONSISTED OF DENMAN, RABOT, LOEFF, PHAN VAN PHI, LUYTEN, DERISBOURG, MEYNELL, JACQUOT, LENG, AND DE LANGE. U.S. SIDE HEADED BY AMB. WOLFF INCLUDED KELLY, FEKETEKUTY, CULBERT, STARKEY, BARRACLOUGH, MORRIS, LANDE, AND SAYLOR. RABOT AND JACQUOT WERE PRESENT MORNING JULY 15 ONLY. DENMAN ARRIVED MID-AFTERNOON JULY 15.

3. DISCUSSION OF AGRICULTURE WAS EASED SUBSTANTIALY AS A RESULT OF SECRETARY BERGLAND'S MEETING WITH COMMISSIONER GUNDELACH EARLIER IN THE WEEK AS WELL AS PRIVATE FOLLOW-UP CONSULTATION BETWEEN GUNDELACH/RABOT AND STRAUSS/WOLFF/STARKEY. THESE EARLIER MEETINGS RESULTED IN AGREEMENT ON AN OUTLINE OF A CHAIRMAN'S SUMMING UP OF THE FORTHCOMING

MEETING OF GROUP AGRICULTURE (STARTING JULY 19). AT THE JULY 15 CONSULTATION, AGREEMENT WAS REACHED THAT THE U.S. REQUEST/OFFER PROCEDURE COULD BE CIRCULATED DURING THE FIRST DAY OF THE MEETING. AT EC REQUEST, WE MODIFIED OUR POSITION SO THAT THE REQUEST/OFFER PROCEDURE WOULD ENCOMPASS ALL MEASURES RATHER THAN JUST THOSE NOT BEING DEALT WITH MULTILATERALLY. RABOT EXPLICITLY AGREED THAT REQUESTS COULD BE MADE ON ANYTHING, I.E., INCLUDING PRODUCTS COVERED BY THE THREE SUBGROUPS OF GROUP AGRICULTURE (GRAINS, MEAT, DAIRY) AND MEASURES AFFECTING THOSE PRODUCTS. HE ALSO MADE LIMITED OFFICIAL USE  
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IT CLEAR EC ENVISIONED REQUESTS ON BROAD POLICY ISSUES, SUCH AS THE U.S. WAIVER. U.S. POINTED OUT THAT, IF EC TOOK

THIS LINE, U.S. WOULD HAVE TO RESPOND IN KIND AND QUESTIONED WHETHER THIS WOULD REALLY BE PRODUCTIVE. BRIEF DISCUSSION AT LATER POINT IN MEETING INDICATED BOTH SIDES FELT REQUESTS WITH RESPECT TO EXPORT RESTRICTIONS WOULD BE APPROPRIATE UNDER THE PROPOSED REQUEST/OFFER PROCEDURE; NEITHER SIDE FELT THIS PROPOSAL SHOULD UNDULY AROUSE CANADIAN OPPOSITION AND MIGHT EVEN BE CONSTRUED BY CANADA AS CONSISTENT WITH ITS INTEREST IN PROMOTING A SECTORAL APPROACH TO NEGOTIATIONS.

4. AMB. WOLFF EXPLAINED U.S. POLITICAL NEED TO ASSURE U.S. AGRICULTURAL COMMUNITY THAT ADOPTION OF A REQUEST/OFFER PROCEDURE COVERING, INTER ALIA, AGRICULTURAL TARIFFS DID NOT REPEAT NOT MEAN A GENERAL TARIFF CUTTING FORMULA HAD NO RELEVANCE TO AGRICULTURE. RABOT THOUGHT SOMETHING MIGHT BE DONE ALONG THESE LINES BUT HE WAS CLEARLY UNENTHUSIASTIC DESPITE HIS EXPLICIT REFERENCE TO SOME AGRICULTURAL TARIFF CUTS BEING POSSIBLE. AFTER A PRELIMINARY EXPLORATION OF POSSIBLE ALTERNATIVE FORMULATIONS (WE CITED JAPANESE SUGGESTION THAT THE FORMULA APPLY TO AGRICULTURE "TO THE EXTENT POSSIBLE" WHILE RABOT MUSED ABOUT A REVERSE FORMULATION SUCH AS "THE APPLICABILITY OF THE FORMULA TO AGRICULTURE IS NOT EXCLUDED") IT WAS LEFT THAT BOTH SIDES WOULD CONSULT IN SEPTEMBER TO FIND LANGUAGE BOTH COULD SUPPORT AS PART OF AN OVERALL TARIFF CUTTING PLAN TARGETED FOR ADOPTION, OCTOBER 1.

5. IN DISCUSSION OF AGRICULTURAL SUBSIDIES AND OFFSETTING MEASURES, U.S. PRESSED HARD FOR AN AGREEMENT NOT TO SUBSIDIZE PRODUCTS THAT HAVE NOT TRADITIONALLY BEEN AND ARE NOT LIMITED OFFICIAL USE  
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NOW BENEFITING FROM SUBSIDIES SO AS TO PUT SOME LID ON

EXPANSION OF US-EC PROBLEMS. RABOT RESISTED THIS NOTION IF IT MEANT AN OPEN-ENDED COMMITMENT (CLAIMING EC SYSTEM MADE IT IMPRACTICAL FOR EC TO GIVE SUCH A COMMITMENT) BUT HE WAS RECEPTIVE TO SEEING WHAT COULD BE DONE ON A PRODUCT-SPECIFIC BASIS. RABOT MADE IT CLEAR THAT THE NOTION OF DISCIPLINE OVER AGRICULTURAL SUBSIDY PRACTICES IS NOT REPEAT NOT IMPOSSIBLE FOR EC WHEN THERE IS SOME "CONCERTED DISCIPLINE." IN RESPONSE TO REQUEST FOR ELABORATION OF LATTER POINT, RABOT MENTIONED "CONSULTATIONS" AND "CONSULTATIONS WITH CERTAIN RULES" BUT QUICKLY ADDED EC HAS TO DO MORE INTERNAL WORK TO ELABORATE ITS THINKING ON SUBSIDY LIMITATIONS. RABOT SUGGESTED GATT ARTICLE XVI CAN AND SHOULD BE "SHARPENED UP." MEYNELL SUGGESTED IT WOULD BE HELPFUL TO AVOID REFERRING TO COUNTERVAILING DUTIES AS ONLY REMEDY FOR SUBSIDIES AND SUGGESTED "OFFSETTING MEASURES"

MIGHT NOT RAISE AS MANY RED FLAGS. WE NOTED CVD INEFFECTIVE REMEDY FOR 3RD COUNTRY SUBSIDIES AND SOME KIND OF OFFSETTING MEASURE NEEDED AT LEAST FOR THIS AREA OF THE SUBSIDY PROBLEM, ONE OF THE MOST IMPORTANT ISSUES WE FELT HAD TO BE DEALT WITH. SUBSEQUENT DISCUSSION AFTER DENMAN'S ARRIVAL CONFIRMED EC INTEREST IN TRYING TO FIND A WAY TO NARROW US-EC DIFFERENCES. AMBASSADOR WOLFF SUGGESTED THERE WERE SEVERAL ELEMENTS TO BUILD ON: MORE PRECISION TO ARTICLE XVI, A SELECTIVE APPROACH TO SUBSIDIES AFFECTING MAIN AGRICULTURAL ITEMS, FOLD IN THE OECD WORK ON EXPORT CREDITS, AND SOME UNDERSTANDING ON THE LIMITS TO DOMESTIC SUBSIDIES. DENMAN THOUGHT SOMETHING WOULD BE POSSIBLE IN CONTEXT OF A BIG MTN PACKAGE ALTHOUGH NOTING SOME FORCES IN EC WONDERED WHY EC SHOULD PAY TO HAVE U.S. RESPECT GATT ARTICLE VI (INJURY TEST). MEYNELL WAS EXTREMELY SKEPTICAL ABOUT CANADIAN DRAFT CODE, DESCRIBING IT AS AN AGENDA FOR TEN YEARS OF NEGOTIATION; HE WAS POSITIVE ABOUT NO REPEAT NO INJURY REQUIREMENT FOR MEASURES USED TO "OFFSET" AGREED PROHIBITED SUBSIDIES.

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6. RABOT DID NOT DISSENT WHEN U.S. SIDE SAID WE ASSUMED ANY NEW SAFEGUARD CLAUSE WOULD COVER BOTH INDUSTRY AND AGRICULTURE AND, WITH RESPECT TO CUSTOMS VALUATION, RABOT HUMOROUSLY VOLUNTEERED THAT "EXCEPTIONALLY, WE HAVE NO SPECIFICITY FOR AGRICULTURE IN CUSTOMS VALUATION." (LUYTEN PRIVATELY DEMURRED ABOUT PRACTICABILITY OF DETERMINING THE "CONSTRUCTED VALUE" OF, SAY, APPLES BUT ACKNOWLEDGED EC CUSTOMS VALUATION DRAFT ALREADY GIVEN TO U.S. MAKES NO DISTINCTION BETWEEN INDUSTRIAL AND AGRICULTURAL PRODUCTS.)

7. DISCUSSION OF TARIFF CUTTING FORMULA BEGAN WITH RECAPITULATION OF US UNDERSTANDING OF AGREED TIMETABLE: OCTOBER 1 FOR AGREEMENT ON A COMPREHENSIVE TARIFF PLAN, NOVEMBER 1 TABLING OF REQUESTS, DECEMBER 15 ALL CODES

TO BE SUBSTANTIALLY AGREED, AND JANUARY 15 TABLING OF OFFERS. EC SIDE SAID THIS KIND OF TIMETABLE WOULD REQUIRE A "NO EXCEPTIONS" POLICY FOR INDUSTRIAL TARIFF CUTS UNDER AN AGREED FORMULA BECAUSE INTERNAL EC HAGGLING OVER WHAT EXCEPTIONS EC SHOULD MAKE (IF AGREED PLAN AUTHORIZED ANY EXCEPTIONS) WOULD BE FAR TOO TIME-CONSUMING. THEY NOTED IT TOOK 12 MONTHS FOR EC TO DECIDE ITS EXCEPTIONS DURING KENNEDY ROUND WHEN EC HAD ONLY 6 MEMBER STATES. WHEN WE ASKED WHAT IMPACT US MANDATORY EXCEPTIONS UNDER U.S. TRADE ACT WOULD HAVE ON A "NO EXCEPTIONS" RULE, EC (PHAN VAN PHI) SAID IT WOULD BE UP TO EACH FORMULA COUNTRY TO APPRAISE OVERALL BALANCE "AT THE END OF THE DAY, NOT AT THE OUTSET" AND SUGGESTED IT WOULD BE FAR LESS TIME-CONSUMING FOR EC TO DECIDE ON WITHDRAWALS TO BALANCE U.S. MANDATOR-IES IF, AT END OF DAY, EC FELT OVERALL PACKAGE REQUIRED

SOME WITHDRAWAL OF EC OFFERS. AT EC REQUEST, WE AGREED TO GIVE EC A DEFINITIVE CURRENT LIST OF U.S. MANDATORY EXCEP-  
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TIONS.

8. U.S. QUERIED IF EC COULD REALLY RESIST DOMESTIC PRES-SURE FOR SOME EXCEPTIONS EVEN IF ITS OWN Y X FORMULA WERE ADOPTED. THIS QUERY PRODUCED EC ANNOUNCEMENT THAT IT NO LONGER CAN SUPPORT ITS EARLIER WILLINGNESS TO APPLY Y X FOUR TIMES BECAUSE POOR ECONOMIC CLIMATE WOULD REQUIRE SOME EXCEPTIONS IF THIS DEEP A GENERAL CUT WERE TO BE MADE BUT AN ACCELERATED TIMETABLE OF KIND U.S. AND EC WANT WOULD ABSOLUTELY PRECLUDE AN INTERNAL EC EXCEPTIONS EXERCISE; EC ACCORDINGLY NOW FAVORS Y X ITERATED "TWO OR THREE TIMES."

9. AMBASSADOR WOLFF EXPRESSED CONSTERNATION AT PROSPECT OF SO LIMITED A CUT, NOTING THAT Y X ITERATED 3 TIMES WOULD BE AN OVERALL CUT OF ONLY 26 PERCENT WHICH, WHEN ERODED BY WITHDRAWALS TO BALANCE U.S. AND OTHER COUNTRIES' EXCEP-TIONS, MIGHT FALL TO A LUDICROUS LEVEL OF AN 8 PERCENT RATE DROPPING TO 7 PERCENT STAGED OVER 10 YEARS. EC SIDE TRIED TO CLAIM THAT ANY TARIFF CUT AT ALL WOULD BE RATHER COUR-AGEOUS IN PRESENT ECONOMIC CLIMATE. AMBASSADOR WOLFF RE-SPONDED U.S. MIGHT WELL DECIDE MTN NOT WORTH THE EFFORT IF SO PUNY A RESULT IN TARIFF AREA WAS ALL THAT COULD BE EX-PECTED. WE ALSO CITED NEED TO GO TO ZERO ON AT LEAST SOME RATES IN ORDER TO KEEP CANADA AS A FORMULA COUNTRY (AND TO CARRY OUT DOWNING STREET SUMMIT COMMITMENT) BUT THIS EVOKED ONLY A STRONG EC (LUYTEN) CRITICISM OF CANADIAN ATTITUDE TOWARD MTN AND SUSPICION CANADA PLANNED TO OPT OUT FOR A FREE RIDE AS THEY DID IN KENNEDY ROUND.

10. ON BASE RATES/BASE DATES, WE SAID PROBLEM WAS JAPAN.

EC (LUYTEN) SUGGESTED THAT JAPAN SHOULD APPLY FORMULA TO RATES THAT ARE MIDWAY BETWEEN BOUND AND APPLIED RATES.

11. DISCUSSION OF TARIFF CUTS ENDED WITH RECOGNITION THAT U.S. AND EC REMAINED FAR APART AND CONSULTATIONS WOULD HAVE LIMITED OFFICIAL USE  
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TO CONTINUE, TO FIND WAYS TO BRIDGE THE GAP. IT WAS AGREED THAT LARGE MULTILATERAL MEETING ON TARIFF CUTTING PLAN SHOULD BE RESISTED UNTIL BILATERALS AND PLURILATERALS HAD PAVED WAY FOR AN AGREEMENT.

12. DISCUSSION OF CUSTOMS VALUATION INITIATED BY DENMAN WHO WONDERED IF WE WERE SERIOUSLY INTERESTED. WHEN U.S. SIDE CONFIRMED US-EC EXCHANGE OF LETTERS LAST YEAR ABOUT RECIPROCITY, DENMAN SAID EC WOULD DO ITS BEST TO TABLE A FORMAL DRAFT, TAKING NOTE OF U.S. DISAPPOINTMENT THAT LATEST CHUMAS DRAFT IS LESS AMBITIOUS THAN U.S. HAD HOPED.

13. VERY BRIEF REFERENCE TO GOVERNMENT PROCUREMENT INDICATED MUTUAL SATISFACTION THAT THE TOPIC IS UNDERWAY VIA TWO-TRACK SYSTEM WITH TOUGH PROBLEM OF COVERAGE (ENTITIES) DEFERRED UNTIL GENERAL NATURE OF RULES HAS BEEN REFINED.

14. IN DISCUSSION OF STANDARDS CODE EC (DERISBOURG) SAID HE WAS UNABLE TO PROMISE ANYTHING AT THIS STAGE WITH RESPECT TO APPLICABILITY OF DRAFT CODE TO AGRICULTURAL PRODUCTS. EC (LUYTEN) EXPRESSED CONCERN ABOUT ALLEGED INHERENT IMBALANCE BECAUSE OF U.S. FEDERAL/STATE JURISDICTIONAL PROBLEM (WHICH WE CONTESTED). THIS DISCUSSION CONCLUDED WITH A SHARED OBSERVATION THAT THE ISSUES TO BE RESOLVED IN STANDARDS CODE CONTEXT ARE WELL KNOWN (BUT EC SAID THEY ARE POLITICAL NOT TECHNICAL ISSUES), AND THAT THIS WAS ONE AREA WHICH COULD BE BROUGHT TO AN EARLY CONCLUSION IN THE FALL.

15. SAFEGUARDS DISCUSSION INDICATED BOTH SIDES FELT WE WERE NOT FAR APART. U.S. SAID IT HAS NOT YET COME DOWN FIRMLY ON QUESTION OF SELECTIVITY AND ASKED WHEN EC COULD LIMITED OFFICIAL USE  
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TABLE A PROPOSAL ON THIS ASPECT OF SAFEGUARDS, NOTING U.S. WILLINGNESS TO DRAFT A COMPREHENSIVE PAPER IF WE HAD MORE INPUT FROM OTHERS ON KEY ISSUES. EC (LUYTEN) ANNOUNCED FLATLY THAT EC IS NOT REPEAT NOT IN A POSITION TO PUT FORWARD ANY TEXT ON SELECTIVITY (BECAUSE OF INABILITY TO RESOLVE DIFFERENCES AMONG EC MEMBER STATES) BUT WONDERED

WHY EC CONTRIBUTION NEEDED ON THIS TOPIC SINCE NORDICS HAVE FORMALLY DECLARED THEMSELVES IN FAVOR OF SELECTIVITY. LUYTEN ALSO MAINTAINED IT WAS UNREALISTIC TO EXPECT EVERYONE TO ADOPT U.S. PUBLIC INQUIRY PROCEDURES, A PRACTICE EC CONSIDERS INVITES RATHER THAN RESTRAINS DEMANDS FOR SAFEGUARD ACTIONS. DENMAN SUGGESTED U.S. AND EC DELEGATIONS IN GENEVA SHOULD CONSULT ON WAYS TO RESOLVE US-EC DIFFERENCES. EC WONDERED IF EFTA COUNTRIES COULD BE INDUCED TO TAKE LEAD ON SAFEGUARDS.

16. SPECIAL AND DIFFERENTIATED (S&D) TREATMENT FOR LDCS. AMB. WOLFF MADE IT CLEAR THAT U.S. WILL REACT STRONGLY IF S&D IS OFFERED BY OTHERS AT OUR EXPENSE. EC (LUYTEN AND MEYNELL) ARGUED FOR A "DISCRETIONARY" S&D POLICY BUT ACKNOWLEDGED THIS COULD NOT BE RECORDED IN ANY FORMAL DOCUMENT. AMB. WOLFF STRESSED THAT ANY DISCRETION TO BE INCORPORATED IN U.S. LAW WOULD HAVE TO BE EXPLICIT. DISCUSSION OF S&D WAS NOT PURSUED IN ANY DEPTH AS U.S. ANNOUNCED IT PLANNED AN INTENSIVE INTERNAL REVIEW OF LDC POLICY OVER COMING WEEKS, ESPECIALLY ON "GRADUATION" CONCEPT.

17. DISCUSSION OF ISSUES IN FRAMEWORK GROUP CENTERED ON EC NOTION OF AN "ENABLING CLAUSE." WE EXPRESSED U.S. CONCERN OVER UNCERTAIN SCOPE OF EC IDEA, CITING RISKS TO U.S. TRADE (AND GENERAL GATT DISCIPLINE) IF SUCH A VAGUE CONCEPT WERE TO OPEN DOOR TO DISCRIMINATORY QRS. LUYTEN REACTED WITH CHARACTERISTIC ACERBITY INCLUDING A LECTURE ON HOW TIMES HAVE CHANGED AND GATT SHOULDN'T MISS THE BOAT AGAIN BY TRYING TO STAND PAT ON MFN. HE DID SAY, LIMITED OFFICIAL USE  
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HOWEVER, EC HAD NO INTENTION OF PERMITTING LDCS TO OPEN UP A DISCRIMINATORY QUOTA FOR A DC. AMB. WOLFF SUGGESTED EC COULD ALLAY OUR MISGIVING BY TELLING US MORE PRECISELY WHAT ITS ENABLING CLAUSE WOULD LOOK LIKE AND DENMAN SAID EC AND U.S. DELEGATIONS IN GENEVA SHOULD CONSULT FOR THIS PURPOSE.

18. BRIEF DISCUSSION OF DISPUTE SETTLEMENT BROUGHT OUT FOLLOWING POINTS: EC NOT READY FOR S&D IN DISPUTE SETTLEMENT BOTH SIDES AGREE CODES SHOULD STAND ON OWN FEET AMONG LIMITED NUMBER OF ADHERENTS, INDEPENDENT OF BUT CONSISTENT WITH GATT OBLIGATIONS. U.S. SIDE POINTED OUT DESIRABILITY OF MAINTAINING CONSISTENCY IN PROVISIONS FOR DISPUTE SETTLEMENT AMONG DIFFERENT CODES, AND NOTED DESIRABILITY OF IMPROVING DISPUTE SETTLEMENT PROCEDURES FOR GATT AS A WHOLE. EC INDICATED ITS INTENTION TO PURSUE LATTER ISSUE IN CONTEXT OF G-18.

19. AMB. WOLFF NOTED U.S. NEED FOR PARALLEL REQUEST/OFFER

PROCEDURE IN NTM PARENT GROUP TO CORRESPOND WITH REQUEST/  
OFFER PROCEDURE IN GROUP AGRICULTURE. DISCUSSION OF  
COVERAGE OF SUCH A PROCEDURE CONCLUDED WITH UNDERSTANDING  
REQUESTS COULD BE MADE ON ANY MEASURE, WHETHER OR NOT SUCH  
MEASURES BEING DEALT WITH IN MTN CODES, ALTHOUGH "SELF-  
RESTRAINT" SHOULD BE EXERCISED IN ANTICIPATION THAT MANY  
REQUESTS MAY BE MET BY GENERAL CODE SOLUTIONS.

20. DENMAN RAISED ISSUE OF PROTOCOL OF PROVISIONAL  
APPLICATION (P.P.A.) AND EXPRESSED HOPE U.S. COULD RENOUNCE  
P.P.A. UPON SUCCESSFUL COMPLETION OF MTN IN ORDER TO END  
THE IMBALANCE OF US-EC RIGHTS AND OBLIGATIONS UNDER GATT.  
AMB. WOLFF RESPONDED THAT THE BEST SOLUTION WOULD BE TO  
ENSURE ADEQUATE COVERAGE OF POLICY ISSUES IN MTN SO THAT,  
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WITH U.S. CONGRESSIONAL RATIFICATION OF RESULTS AFFECTING  
U.S. DOMESTIC LAW, DIFFERENCES WOULD DISAPPEAR. DENMAN  
SAID THIS COMMENT WAS HELPFUL BUT HE WISHED TO FLAG EC  
CONCERN ABOUT POSSIBILITY OF U.S. ENDING UP WITH AN ESCAPE  
CLAUSE (P.P.A.) AT END OF MTN THAT EC DOES NOT HAVE. AMB.  
WOLFF NOTED EC HAD SOME SAFETY VALVES U.S. DID NOT HAVE,  
E.G., EC'S UNBOUND VARIABLE LEVIES.

21. AT END OF MEETINGS, DENMAN RETURNED TO TIMETABLE  
FOR MTN AND EXPRESSED STRONG EC PREFERENCES FOR QUIET  
US-EC BILATERAL UNDERSTANDING ABOUT TARGET DATES (WITH  
FIRM COMMITMENT TO DO BEST TO ACHIEVE) BUT NO PUBLIC  
PRONOUNCEMENTS LEST THIS IRRITATE OTHERS ON GROUNDS US-EC  
DICTATION. AMB. WOLFF SAID WE UNDERSTOOD TIMETABLE HAD  
BEEN ACCEPTED AT AMB. STRAUSS-EC COMMISSION LEVEL BUT DEN-  
MAN DEMURRED. AMB. WOLFF ALSO SAID JAN. 15 TABLING OF  
OFFERS WON'T JUST HAPPEN WITHOUT AN AGREED MULTILATERAL  
COMMITMENT TO A FIRM TIMETABLE. DENMAN EXPRESSED PREFER-  
ENCE FOR A STRONG INFORMAL GENEVA "STEERING GROUP" OF KEY  
DC AND LDC DELEGATIONS TO ENSURE THAT ISSUES ARE RESOLVED  
PROMPTLY. U.S. AND EC DELEGATIONS ARE TO CONFER FURTHER  
ABOUT POSSIBLE WAYS TO GET SUCH A MECHANISM ESTABLISHED BUT  
BOTH SIDES NOTED SCARCITY OF EFFECTIVE INDIVIDUALS TO TAKE  
ON LEADERSHIP AND RIDE HERD ON THE OVERALL OPERATION. (IT  
WAS AGREED NO ONE IN GATT SECRETARIAT COULD DO IT.) ONE  
PROCEDURAL IDEA, ENDORSED BY BOTH SIDES TO TRY TO GET  
THINGS MOVING MORE RAPIDLY IN GENEVA, STARTING IN  
SEPTEMBER, WAS TO ABANDON THE PRACTICE OF FIXING DATES FOR  
MEETINGS OF GROUPS AND SUBGROUPS AND TO ESTABLISH, INSTEAD,

THE NOTION THAT ALL SUCH GROUPS WILL BE IN "PERMANENT  
SESSION" AT THE CALL OF THEIR RESPECTIVE CHAIRMEN WHEN  
BILATERAL AND PLURILATERAL CONSULTATIONS (WHERE THE WORK  
WILL HAVE TO BE DONE IN PRACTICE) HAVE PRODUCED SUFFICIENT  
RESULTS TO WARRANT A LARGE MEETING TO RATIFY WHAT HAS BEEN



WORKED OUT.

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22. DISCUSSION WITH EC COMMISSION WAS INFORMAL AND  
EXPLORATORY IN NATURE. DETAILS OF THIS TELEGRAM SHOULD NOT  
BE DISCUSSED WITH HOST GOVERNMENTS AT THIS TIME AS EC  
COMMISSION HAS NOT YET HAD OPPORTUNITY TO CONSULT WITH,  
AND OBTAIN AGREEMENT OF, MEMBER STATES ON MANY OF ABOVE  
POINTS. VANCE

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## Message Attributes

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**Disposition Date:** 22 May 2009  
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**Subject:** MTN-US-EC BILATERAL JULY 15-16  
**TAGS:** ETRD, US, MTN, EEC  
**To:** BONN BRUSSELS MULTIPLE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/06eef662-c288-dd11-92da-001cc4696bcc  
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